

1 AMENDMENT TO SENATE BILL 841

2 AMENDMENT NO. _____. Amend Senate Bill 841 by replacing
3 everything after the enacting clause with the following:

4 "Section 2. The Illinois Income Tax Act is amended by
5 adding Section 215 as follows:

6 (35 ILCS 5/215 new)

7 Sec. 215. Transportation Employee Credit.

8 (a) For each taxable year beginning on or after January
9 1, 2004, a qualified employer shall be allowed a credit
10 against the tax imposed by subsections (a) and (b) of Section
11 201 of this Act in the amount of \$50 for each eligible
12 employee employed by the taxpayer as of the last day of the
13 taxable year.

14 (b) For purposes of this Section, "qualified employer"
15 means:

16 (1) any employer who pays a commercial distribution
17 fee under Section 3-815.1 of the Illinois Vehicle Code
18 during the taxable year; or

19 (2) any employer who, as of the end of the taxable
20 year, has one or more employees whose compensation is
21 subject to tax only by the employee's state of residence
22 pursuant to 49 U.S.C 14503(a)(1).

1 (c) For purposes of this Section, "employee" includes an
2 individual who is treated as an employee of the taxpayer
3 under Section 401(c) of the Internal Revenue Code and whose
4 actual assigned duties are such that, if the individual were
5 a common-law employee performing such duties in 2 or more
6 states, the individual's compensation would be subject to tax
7 only by the individual's state of residence pursuant to 49
8 U.S.C. 14503(a)(1).

9 (d) An employee is an "eligible employee" only if all of
10 the following criteria are met:

11 (1) The employee is an operator of a motor vehicle;

12 (2) The employee's compensation, pursuant to 49
13 U.S.C. 14503(a)(1), is subject to tax only by the
14 employee's state of residence, or would be subject to tax
15 only by the employee's state of residence if the
16 employee's actual duties were performed in 2 or more
17 states;

18 (3) As of the end of the taxable year for which the
19 credit is claimed, the employee is a resident of this
20 State for purposes of this Act and 49 U.S.C. 14503(a)(1);
21 and

22 (4) The employee is a full-time employee working 30
23 or more hours per week for 180 consecutive days; provided
24 that such 180-day period may be completed after the end
25 of the taxable year for which the credit under this
26 Section is claimed.

27 (e) For partners, shareholders of subchapter S
28 corporations, and owners of limited liability companies, if
29 the limited liability company is treated as a partnership for
30 purposes of federal and State income taxation, there shall be
31 allowed a credit under this Section to be determined in
32 accordance with the determination of income and distributive
33 share of income under Sections 702 and 704 and subchapter S
34 of the Internal Revenue Code.

1 (f) Any credit allowed under this Section which is
 2 unused in the year the credit is earned may be carried
 3 forward to each of the 5 taxable years following the year for
 4 which the credit is first computed until it is used. This
 5 credit shall be applied first to the earliest year for which
 6 there is a liability. If there is a credit under this Section
 7 from more than one tax year that is available to offset a
 8 liability, the earliest credit arising under this Section
 9 shall be applied first.

10 (g) This Section is exempt from the provisions of
 11 Section 250 of this Act.

12 (h) The Department of Revenue shall promulgate such
 13 rules and regulations as may be deemed necessary to carry out
 14 the purposes of this Section.

15 Section 5. The Use Tax Act is amended by changing
 16 Sections 3-5, 3-55, 3-60, and 3-61 as follows:

17 (35 ILCS 105/3-5) (from Ch. 120, par. 439.3-5)

18 Sec. 3-5. Exemptions. Use of the following tangible
 19 personal property is exempt from the tax imposed by this Act:

20 (1) Personal property purchased from a corporation,
 21 society, association, foundation, institution, or
 22 organization, other than a limited liability company, that is
 23 organized and operated as a not-for-profit service enterprise
 24 for the benefit of persons 65 years of age or older if the
 25 personal property was not purchased by the enterprise for the
 26 purpose of resale by the enterprise.

27 (2) Personal property purchased by a not-for-profit
 28 Illinois county fair association for use in conducting,
 29 operating, or promoting the county fair.

30 (3) Personal property purchased by a not-for-profit arts
 31 or cultural organization that establishes, by proof required
 32 by the Department by rule, that it has received an exemption

1 under Section 501(c)(3) of the Internal Revenue Code and that
2 is organized and operated primarily for the presentation or
3 support of arts or cultural programming, activities, or
4 services. These organizations include, but are not limited
5 to, music and dramatic arts organizations such as symphony
6 orchestras and theatrical groups, arts and cultural service
7 organizations, local arts councils, visual arts
8 organizations, and media arts organizations. On and after the
9 effective date of this amendatory Act of the 92nd General
10 Assembly, however, an entity otherwise eligible for this
11 exemption shall not make tax-free purchases unless it has an
12 active identification number issued by the Department.

13 (4) Personal property purchased by a governmental body,
14 by a corporation, society, association, foundation, or
15 institution organized and operated exclusively for
16 charitable, religious, or educational purposes, or by a
17 not-for-profit corporation, society, association, foundation,
18 institution, or organization that has no compensated officers
19 or employees and that is organized and operated primarily for
20 the recreation of persons 55 years of age or older. A limited
21 liability company may qualify for the exemption under this
22 paragraph only if the limited liability company is organized
23 and operated exclusively for educational purposes. On and
24 after July 1, 1987, however, no entity otherwise eligible for
25 this exemption shall make tax-free purchases unless it has an
26 active exemption identification number issued by the
27 Department.

28 (5) A passenger car that is a replacement vehicle to the
29 extent that the purchase price of the car is subject to the
30 Replacement Vehicle Tax.

31 (6) Graphic arts machinery and equipment, including
32 repair and replacement parts, both new and used, and
33 including that manufactured on special order, certified by
34 the purchaser to be used primarily for graphic arts

1 production, and including machinery and equipment purchased
2 for lease. Equipment includes chemicals or chemicals acting
3 as catalysts but only if the chemicals or chemicals acting as
4 catalysts effect a direct and immediate change upon a graphic
5 arts product.

6 (7) Farm chemicals.

7 (8) Legal tender, currency, medallions, or gold or
8 silver coinage issued by the State of Illinois, the
9 government of the United States of America, or the government
10 of any foreign country, and bullion.

11 (9) Personal property purchased from a teacher-sponsored
12 student organization affiliated with an elementary or
13 secondary school located in Illinois.

14 (10) A motor vehicle of the first division, a motor
15 vehicle of the second division that is a self-contained motor
16 vehicle designed or permanently converted to provide living
17 quarters for recreational, camping, or travel use, with
18 direct walk through to the living quarters from the driver's
19 seat, or a motor vehicle of the second division that is of
20 the van configuration designed for the transportation of not
21 less than 7 nor more than 16 passengers, as defined in
22 Section 1-146 of the Illinois Vehicle Code, that is used for
23 automobile renting, as defined in the Automobile Renting
24 Occupation and Use Tax Act.

25 (11) Farm machinery and equipment, both new and used,
26 including that manufactured on special order, certified by
27 the purchaser to be used primarily for production agriculture
28 or State or federal agricultural programs, including
29 individual replacement parts for the machinery and equipment,
30 including machinery and equipment purchased for lease, and
31 including implements of husbandry defined in Section 1-130 of
32 the Illinois Vehicle Code, farm machinery and agricultural
33 chemical and fertilizer spreaders, and nurse wagons required
34 to be registered under Section 3-809 of the Illinois Vehicle

1 Code, but excluding other motor vehicles required to be
2 registered under the Illinois Vehicle Code. Horticultural
3 polyhouses or hoop houses used for propagating, growing, or
4 overwintering plants shall be considered farm machinery and
5 equipment under this item (11). Agricultural chemical tender
6 tanks and dry boxes shall include units sold separately from
7 a motor vehicle required to be licensed and units sold
8 mounted on a motor vehicle required to be licensed if the
9 selling price of the tender is separately stated.

10 Farm machinery and equipment shall include precision
11 farming equipment that is installed or purchased to be
12 installed on farm machinery and equipment including, but not
13 limited to, tractors, harvesters, sprayers, planters,
14 seeders, or spreaders. Precision farming equipment includes,
15 but is not limited to, soil testing sensors, computers,
16 monitors, software, global positioning and mapping systems,
17 and other such equipment.

18 Farm machinery and equipment also includes computers,
19 sensors, software, and related equipment used primarily in
20 the computer-assisted operation of production agriculture
21 facilities, equipment, and activities such as, but not
22 limited to, the collection, monitoring, and correlation of
23 animal and crop data for the purpose of formulating animal
24 diets and agricultural chemicals. This item (11) is exempt
25 from the provisions of Section 3-90.

26 (12) Fuel and petroleum products sold to or used by an
27 air common carrier, certified by the carrier to be used for
28 consumption, shipment, or storage in the conduct of its
29 business as an air common carrier, for a flight destined for
30 or returning from a location or locations outside the United
31 States without regard to previous or subsequent domestic
32 stopovers.

33 (13) Proceeds of mandatory service charges separately
34 stated on customers' bills for the purchase and consumption

1 of food and beverages purchased at retail from a retailer, to
2 the extent that the proceeds of the service charge are in
3 fact turned over as tips or as a substitute for tips to the
4 employees who participate directly in preparing, serving,
5 hosting or cleaning up the food or beverage function with
6 respect to which the service charge is imposed.

7 (14) Oil field exploration, drilling, and production
8 equipment, including (i) rigs and parts of rigs, rotary rigs,
9 cable tool rigs, and workover rigs, (ii) pipe and tubular
10 goods, including casing and drill strings, (iii) pumps and
11 pump-jack units, (iv) storage tanks and flow lines, (v) any
12 individual replacement part for oil field exploration,
13 drilling, and production equipment, and (vi) machinery and
14 equipment purchased for lease; but excluding motor vehicles
15 required to be registered under the Illinois Vehicle Code.

16 (15) Photoprocessing machinery and equipment, including
17 repair and replacement parts, both new and used, including
18 that manufactured on special order, certified by the
19 purchaser to be used primarily for photoprocessing, and
20 including photoprocessing machinery and equipment purchased
21 for lease.

22 (16) Coal exploration, mining, offhighway hauling,
23 processing, maintenance, and reclamation equipment, including
24 replacement parts and equipment, and including equipment
25 purchased for lease, but excluding motor vehicles required to
26 be registered under the Illinois Vehicle Code.

27 (17) Distillation machinery and equipment, sold as a
28 unit or kit, assembled or installed by the retailer,
29 certified by the user to be used only for the production of
30 ethyl alcohol that will be used for consumption as motor fuel
31 or as a component of motor fuel for the personal use of the
32 user, and not subject to sale or resale.

33 (18) Manufacturing and assembling machinery and
34 equipment used primarily in the process of manufacturing or

1 assembling tangible personal property for wholesale or retail
2 sale or lease, whether that sale or lease is made directly by
3 the manufacturer or by some other person, whether the
4 materials used in the process are owned by the manufacturer
5 or some other person, or whether that sale or lease is made
6 apart from or as an incident to the seller's engaging in the
7 service occupation of producing machines, tools, dies, jigs,
8 patterns, gauges, or other similar items of no commercial
9 value on special order for a particular purchaser.

10 (19) Personal property delivered to a purchaser or
11 purchaser's donee inside Illinois when the purchase order for
12 that personal property was received by a florist located
13 outside Illinois who has a florist located inside Illinois
14 deliver the personal property.

15 (20) Semen used for artificial insemination of livestock
16 for direct agricultural production.

17 (21) Horses, or interests in horses, registered with and
18 meeting the requirements of any of the Arabian Horse Club
19 Registry of America, Appaloosa Horse Club, American Quarter
20 Horse Association, United States Trotting Association, or
21 Jockey Club, as appropriate, used for purposes of breeding or
22 racing for prizes.

23 (22) Computers and communications equipment utilized for
24 any hospital purpose and equipment used in the diagnosis,
25 analysis, or treatment of hospital patients purchased by a
26 lessor who leases the equipment, under a lease of one year or
27 longer executed or in effect at the time the lessor would
28 otherwise be subject to the tax imposed by this Act, to a
29 hospital that has been issued an active tax exemption
30 identification number by the Department under Section 1g of
31 the Retailers' Occupation Tax Act. If the equipment is
32 leased in a manner that does not qualify for this exemption
33 or is used in any other non-exempt manner, the lessor shall
34 be liable for the tax imposed under this Act or the Service

1 Use Tax Act, as the case may be, based on the fair market
2 value of the property at the time the non-qualifying use
3 occurs. No lessor shall collect or attempt to collect an
4 amount (however designated) that purports to reimburse that
5 lessor for the tax imposed by this Act or the Service Use Tax
6 Act, as the case may be, if the tax has not been paid by the
7 lessor. If a lessor improperly collects any such amount from
8 the lessee, the lessee shall have a legal right to claim a
9 refund of that amount from the lessor. If, however, that
10 amount is not refunded to the lessee for any reason, the
11 lessor is liable to pay that amount to the Department.

12 (23) Personal property purchased by a lessor who leases
13 the property, under a lease of one year or longer executed
14 or in effect at the time the lessor would otherwise be
15 subject to the tax imposed by this Act, to a governmental
16 body that has been issued an active sales tax exemption
17 identification number by the Department under Section 1g of
18 the Retailers' Occupation Tax Act. If the property is leased
19 in a manner that does not qualify for this exemption or used
20 in any other non-exempt manner, the lessor shall be liable
21 for the tax imposed under this Act or the Service Use Tax
22 Act, as the case may be, based on the fair market value of
23 the property at the time the non-qualifying use occurs. No
24 lessor shall collect or attempt to collect an amount (however
25 designated) that purports to reimburse that lessor for the
26 tax imposed by this Act or the Service Use Tax Act, as the
27 case may be, if the tax has not been paid by the lessor. If
28 a lessor improperly collects any such amount from the lessee,
29 the lessee shall have a legal right to claim a refund of that
30 amount from the lessor. If, however, that amount is not
31 refunded to the lessee for any reason, the lessor is liable
32 to pay that amount to the Department.

33 (24) Beginning with taxable years ending on or after
34 December 31, 1995 and ending with taxable years ending on or

1 before December 31, 2004, personal property that is donated
2 for disaster relief to be used in a State or federally
3 declared disaster area in Illinois or bordering Illinois by a
4 manufacturer or retailer that is registered in this State to
5 a corporation, society, association, foundation, or
6 institution that has been issued a sales tax exemption
7 identification number by the Department that assists victims
8 of the disaster who reside within the declared disaster area.

9 (25) Beginning with taxable years ending on or after
10 December 31, 1995 and ending with taxable years ending on or
11 before December 31, 2004, personal property that is used in
12 the performance of infrastructure repairs in this State,
13 including but not limited to municipal roads and streets,
14 access roads, bridges, sidewalks, waste disposal systems,
15 water and sewer line extensions, water distribution and
16 purification facilities, storm water drainage and retention
17 facilities, and sewage treatment facilities, resulting from a
18 State or federally declared disaster in Illinois or bordering
19 Illinois when such repairs are initiated on facilities
20 located in the declared disaster area within 6 months after
21 the disaster.

22 (26) Beginning July 1, 1999, game or game birds
23 purchased at a "game breeding and hunting preserve area" or
24 an "exotic game hunting area" as those terms are used in the
25 Wildlife Code or at a hunting enclosure approved through
26 rules adopted by the Department of Natural Resources. This
27 paragraph is exempt from the provisions of Section 3-90.

28 (27) A motor vehicle, as that term is defined in Section
29 1-146 of the Illinois Vehicle Code, that is donated to a
30 corporation, limited liability company, society, association,
31 foundation, or institution that is determined by the
32 Department to be organized and operated exclusively for
33 educational purposes. For purposes of this exemption, "a
34 corporation, limited liability company, society, association,

1 foundation, or institution organized and operated exclusively
2 for educational purposes" means all tax-supported public
3 schools, private schools that offer systematic instruction in
4 useful branches of learning by methods common to public
5 schools and that compare favorably in their scope and
6 intensity with the course of study presented in tax-supported
7 schools, and vocational or technical schools or institutes
8 organized and operated exclusively to provide a course of
9 study of not less than 6 weeks duration and designed to
10 prepare individuals to follow a trade or to pursue a manual,
11 technical, mechanical, industrial, business, or commercial
12 occupation.

13 (28) Beginning January 1, 2000, personal property,
14 including food, purchased through fundraising events for the
15 benefit of a public or private elementary or secondary
16 school, a group of those schools, or one or more school
17 districts if the events are sponsored by an entity recognized
18 by the school district that consists primarily of volunteers
19 and includes parents and teachers of the school children.
20 This paragraph does not apply to fundraising events (i) for
21 the benefit of private home instruction or (ii) for which the
22 fundraising entity purchases the personal property sold at
23 the events from another individual or entity that sold the
24 property for the purpose of resale by the fundraising entity
25 and that profits from the sale to the fundraising entity.
26 This paragraph is exempt from the provisions of Section 3-90.

27 (29) Beginning January 1, 2000 and through December 31,
28 2001, new or used automatic vending machines that prepare and
29 serve hot food and beverages, including coffee, soup, and
30 other items, and replacement parts for these machines.
31 Beginning January 1, 2002, machines and parts for machines
32 used in commercial, coin-operated amusement and vending
33 business if a use or occupation tax is paid on the gross
34 receipts derived from the use of the commercial,

1 coin-operated amusement and vending machines. This paragraph
2 is exempt from the provisions of Section 3-90.

3 (30) Food for human consumption that is to be consumed
4 off the premises where it is sold (other than alcoholic
5 beverages, soft drinks, and food that has been prepared for
6 immediate consumption) and prescription and nonprescription
7 medicines, drugs, medical appliances, and insulin, urine
8 testing materials, syringes, and needles used by diabetics,
9 for human use, when purchased for use by a person receiving
10 medical assistance under Article 5 of the Illinois Public Aid
11 Code who resides in a licensed long-term care facility, as
12 defined in the Nursing Home Care Act.

13 (31) Beginning on the effective date of this amendatory
14 Act of the 92nd General Assembly, computers and
15 communications equipment utilized for any hospital purpose
16 and equipment used in the diagnosis, analysis, or treatment
17 of hospital patients purchased by a lessor who leases the
18 equipment, under a lease of one year or longer executed or in
19 effect at the time the lessor would otherwise be subject to
20 the tax imposed by this Act, to a hospital that has been
21 issued an active tax exemption identification number by the
22 Department under Section 1g of the Retailers' Occupation Tax
23 Act. If the equipment is leased in a manner that does not
24 qualify for this exemption or is used in any other nonexempt
25 manner, the lessor shall be liable for the tax imposed under
26 this Act or the Service Use Tax Act, as the case may be,
27 based on the fair market value of the property at the time
28 the nonqualifying use occurs. No lessor shall collect or
29 attempt to collect an amount (however designated) that
30 purports to reimburse that lessor for the tax imposed by this
31 Act or the Service Use Tax Act, as the case may be, if the
32 tax has not been paid by the lessor. If a lessor improperly
33 collects any such amount from the lessee, the lessee shall
34 have a legal right to claim a refund of that amount from the

1 lessor. If, however, that amount is not refunded to the
2 lessee for any reason, the lessor is liable to pay that
3 amount to the Department. This paragraph is exempt from the
4 provisions of Section 3-90.

5 (32) Beginning on the effective date of this amendatory
6 Act of the 92nd General Assembly, personal property purchased
7 by a lessor who leases the property, under a lease of one
8 year or longer executed or in effect at the time the lessor
9 would otherwise be subject to the tax imposed by this Act, to
10 a governmental body that has been issued an active sales tax
11 exemption identification number by the Department under
12 Section 1g of the Retailers' Occupation Tax Act. If the
13 property is leased in a manner that does not qualify for this
14 exemption or used in any other nonexempt manner, the lessor
15 shall be liable for the tax imposed under this Act or the
16 Service Use Tax Act, as the case may be, based on the fair
17 market value of the property at the time the nonqualifying
18 use occurs. No lessor shall collect or attempt to collect an
19 amount (however designated) that purports to reimburse that
20 lessor for the tax imposed by this Act or the Service Use Tax
21 Act, as the case may be, if the tax has not been paid by the
22 lessor. If a lessor improperly collects any such amount from
23 the lessee, the lessee shall have a legal right to claim a
24 refund of that amount from the lessor. If, however, that
25 amount is not refunded to the lessee for any reason, the
26 lessor is liable to pay that amount to the Department. This
27 paragraph is exempt from the provisions of Section 3-90.

28 (33) On and after July 1, 2003, the use in this State of
29 motor vehicles of the second division with a gross vehicle
30 weight in excess of 8,000 pounds and that are subject to the
31 commercial distribution fee imposed under Section 3-815.1 of
32 the Illinois Vehicle Code. This exemption applies to repair
33 and replacement parts added after the initial purchase of
34 such a motor vehicle if that motor vehicle is used in a

1 manner that would qualify for the rolling stock exemption
2 otherwise provided for in this Act.

3 (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;
4 91-439, eff. 8-6-99; 91-637, eff. 8-20-99; 91-644, eff.
5 8-20-99; 91-901, eff. 1-1-01; 92-35, eff. 7-1-01; 92-227,
6 eff. 8-2-01; 92-337, eff. 8-10-01; 92-484, eff. 8-23-01;
7 92-651, eff. 7-11-02.)

8 (35 ILCS 105/3-55) (from Ch. 120, par. 439.3-55)

9 Sec. 3-55. Multistate exemption. To prevent actual or
10 likely multistate taxation, the tax imposed by this Act does
11 not apply to the use of tangible personal property in this
12 State under the following circumstances:

13 (a) The use, in this State, of tangible personal
14 property acquired outside this State by a nonresident
15 individual and brought into this State by the individual for
16 his or her own use while temporarily within this State or
17 while passing through this State.

18 (b) The use, in this State, of tangible personal
19 property by an interstate carrier for hire as rolling stock
20 moving in interstate commerce or by lessors under a lease of
21 one year or longer executed or in effect at the time of
22 purchase of tangible personal property by interstate carriers
23 for-hire for use as rolling stock moving in interstate
24 commerce as long as so used by the interstate carriers
25 for-hire, and equipment operated by a telecommunications
26 provider, licensed as a common carrier by the Federal
27 Communications Commission, which is permanently installed in
28 or affixed to aircraft moving in interstate commerce.

29 (c) The use, in this State, by owners, lessors, or
30 shippers of tangible personal property that is utilized by
31 interstate carriers for hire for use as rolling stock moving
32 in interstate commerce as long as so used by the interstate
33 carriers for hire, and equipment operated by a

1 telecommunications provider, licensed as a common carrier by
2 the Federal Communications Commission, which is permanently
3 installed in or affixed to aircraft moving in interstate
4 commerce.

5 (d) The use, in this State, of tangible personal
6 property that is acquired outside this State and caused to be
7 brought into this State by a person who has already paid a
8 tax in another State in respect to the sale, purchase, or use
9 of that property, to the extent of the amount of the tax
10 properly due and paid in the other State.

11 (e) The temporary storage, in this State, of tangible
12 personal property that is acquired outside this State and
13 that, after being brought into this State and stored here
14 temporarily, is used solely outside this State or is
15 physically attached to or incorporated into other tangible
16 personal property that is used solely outside this State, or
17 is altered by converting, fabricating, manufacturing,
18 printing, processing, or shaping, and, as altered, is used
19 solely outside this State.

20 (f) The temporary storage in this State of building
21 materials and fixtures that are acquired either in this State
22 or outside this State by an Illinois registered combination
23 retailer and construction contractor, and that the purchaser
24 thereafter uses outside this State by incorporating that
25 property into real estate located outside this State.

26 (g) The use or purchase of tangible personal property by
27 a common carrier by rail or motor that receives the physical
28 possession of the property in Illinois, and that transports
29 the property, or shares with another common carrier in the
30 transportation of the property, out of Illinois on a standard
31 uniform bill of lading showing the seller of the property as
32 the shipper or consignor of the property to a destination
33 outside Illinois, for use outside Illinois.

34 (h) The use, in this State, of a motor vehicle that was

1 sold in this State to a nonresident, even though the motor
2 vehicle is delivered to the nonresident in this State, if the
3 motor vehicle is not to be titled in this State, and if a
4 drive-away permit is issued to the motor vehicle as provided
5 in Section 3-603 of the Illinois Vehicle Code or if the
6 nonresident purchaser has vehicle registration plates to
7 transfer to the motor vehicle upon returning to his or her
8 home state. The issuance of the drive-away permit or having
9 the out-of-state registration plates to be transferred shall
10 be prima facie evidence that the motor vehicle will not be
11 titled in this State.

12 (i) Beginning July 1, 1999, the use, in this State, of
13 fuel acquired outside this State and brought into this State
14 in the fuel supply tanks of locomotives engaged in freight
15 hauling and passenger service for interstate commerce. This
16 subsection is exempt from the provisions of Section 3-90.

17 (j) Beginning on January 1, 2002, the use of tangible
18 personal property purchased from an Illinois retailer by a
19 taxpayer engaged in centralized purchasing activities in
20 Illinois who will, upon receipt of the property in Illinois,
21 temporarily store the property in Illinois (i) for the
22 purpose of subsequently transporting it outside this State
23 for use or consumption thereafter solely outside this State
24 or (ii) for the purpose of being processed, fabricated, or
25 manufactured into, attached to, or incorporated into other
26 tangible personal property to be transported outside this
27 State and thereafter used or consumed solely outside this
28 State. The Director of Revenue shall, pursuant to rules
29 adopted in accordance with the Illinois Administrative
30 Procedure Act, issue a permit to any taxpayer in good
31 standing with the Department who is eligible for the
32 exemption under this subsection (j). The permit issued under
33 this subsection (j) shall authorize the holder, to the extent
34 and in the manner specified in the rules adopted under this

1 Act, to purchase tangible personal property from a retailer
2 exempt from the taxes imposed by this Act. Taxpayers shall
3 maintain all necessary books and records to substantiate the
4 use and consumption of all such tangible personal property
5 outside of the State of Illinois.

6 (Source: P.A. 91-51, eff. 6-30-99; 91-313, eff. 7-29-99;
7 91-587, eff. 8-14-99; 92-16, eff. 6-28-01; 92-488, eff.
8 8-23-01; 92-680, eff. 7-16-02.)

9 (35 ILCS 105/3-60) (from Ch. 120, par. 439.3-60)

10 Sec. 3-60. Rolling stock exemption. Except as provided
11 in Section 3-61 of this Act, the rolling stock exemption
12 applies to rolling stock used by an interstate carrier for
13 hire, even just between points in Illinois, if the rolling
14 stock transports, for hire, persons whose journeys or
15 property whose shipments originate or terminate outside
16 Illinois.

17 (Source: P.A. 91-51, eff. 6-30-99.)

18 (35 ILCS 105/3-61)

19 Sec. 3-61. Motor vehicles; use as rolling stock
20 definition. Through June 30, 2003, "use as rolling stock
21 moving in interstate commerce" in subsections (b) and (c) of
22 Section 3-55 means for motor vehicles, as defined in Section
23 1-146 of the Illinois Vehicle Code, and trailers, as defined
24 in Section 1-209 of the Illinois Vehicle Code, when on 15 or
25 more occasions in a 12-month period the motor vehicle and
26 trailer has carried persons or property for hire in
27 interstate commerce, even just between points in Illinois, if
28 the motor vehicle and trailer transports persons whose
29 journeys or property whose shipments originate or terminate
30 outside Illinois. This definition applies to all property
31 purchased for the purpose of being attached to those motor
32 vehicles or trailers as a part thereof. On and after July 1,

1 2003, "use as rolling stock moving in interstate commerce" in
2 paragraphs (b) and (c) of Section 3-55 occurs for motor
3 vehicles, as defined in Section 1-146 of the Illinois Vehicle
4 Code, when during a 12-month period the rolling stock has
5 carried persons or property for hire in interstate commerce
6 for 51% of its total trips and transports persons whose
7 journeys or property whose shipments originate or terminate
8 outside Illinois. Trips that are only between points in
9 Illinois shall not be counted as interstate trips when
10 calculating whether the tangible personal property qualifies
11 for the exemption but such trips shall be included in total
12 trips taken.

13 (Source: P.A. 91-587, eff. 8-14-99.)

14 Section 10. The Service Use Tax Act is amended by
15 changing Sections 2, 3-45, 3-50, and 3-51 as follows:

16 (35 ILCS 110/2) (from Ch. 120, par. 439.32)

17 Sec. 2. "Use" means the exercise by any person of any
18 right or power over tangible personal property incident to
19 the ownership of that property, but does not include the sale
20 or use for demonstration by him of that property in any form
21 as tangible personal property in the regular course of
22 business. "Use" does not mean the interim use of tangible
23 personal property nor the physical incorporation of tangible
24 personal property, as an ingredient or constituent, into
25 other tangible personal property, (a) which is sold in the
26 regular course of business or (b) which the person
27 incorporating such ingredient or constituent therein has
28 undertaken at the time of such purchase to cause to be
29 transported in interstate commerce to destinations outside
30 the State of Illinois.

31 "Purchased from a serviceman" means the acquisition of
32 the ownership of, or title to, tangible personal property

1 through a sale of service.

2 "Purchaser" means any person who, through a sale of
3 service, acquires the ownership of, or title to, any tangible
4 personal property.

5 "Cost price" means the consideration paid by the
6 serviceman for a purchase valued in money, whether paid in
7 money or otherwise, including cash, credits and services, and
8 shall be determined without any deduction on account of the
9 supplier's cost of the property sold or on account of any
10 other expense incurred by the supplier. When a serviceman
11 contracts out part or all of the services required in his
12 sale of service, it shall be presumed that the cost price to
13 the serviceman of the property transferred to him or her by
14 his or her subcontractor is equal to 50% of the
15 subcontractor's charges to the serviceman in the absence of
16 proof of the consideration paid by the subcontractor for the
17 purchase of such property.

18 "Selling price" means the consideration for a sale valued
19 in money whether received in money or otherwise, including
20 cash, credits and service, and shall be determined without
21 any deduction on account of the serviceman's cost of the
22 property sold, the cost of materials used, labor or service
23 cost or any other expense whatsoever, but does not include
24 interest or finance charges which appear as separate items on
25 the bill of sale or sales contract nor charges that are added
26 to prices by sellers on account of the seller's duty to
27 collect, from the purchaser, the tax that is imposed by this
28 Act.

29 "Department" means the Department of Revenue.

30 "Person" means any natural individual, firm, partnership,
31 association, joint stock company, joint venture, public or
32 private corporation, limited liability company, and any
33 receiver, executor, trustee, guardian or other representative
34 appointed by order of any court.

1 "Sale of service" means any transaction except:

2 (1) a retail sale of tangible personal property
3 taxable under the Retailers' Occupation Tax Act or under
4 the Use Tax Act.

5 (2) a sale of tangible personal property for the
6 purpose of resale made in compliance with Section 2c of
7 the Retailers' Occupation Tax Act.

8 (3) except as hereinafter provided, a sale or
9 transfer of tangible personal property as an incident to
10 the rendering of service for or by any governmental body,
11 or for or by any corporation, society, association,
12 foundation or institution organized and operated
13 exclusively for charitable, religious or educational
14 purposes or any not-for-profit corporation, society,
15 association, foundation, institution or organization
16 which has no compensated officers or employees and which
17 is organized and operated primarily for the recreation of
18 persons 55 years of age or older. A limited liability
19 company may qualify for the exemption under this
20 paragraph only if the limited liability company is
21 organized and operated exclusively for educational
22 purposes.

23 (4) a sale or transfer of tangible personal
24 property as an incident to the rendering of service for
25 interstate carriers for hire for use as rolling stock
26 moving in interstate commerce or by lessors under a lease
27 of one year or longer, executed or in effect at the time
28 of purchase of personal property, to interstate carriers
29 for hire for use as rolling stock moving in interstate
30 commerce so long as so used by such interstate carriers
31 for hire, and equipment operated by a telecommunications
32 provider, licensed as a common carrier by the Federal
33 Communications Commission, which is permanently installed
34 in or affixed to aircraft moving in interstate commerce.

1 (4a) a sale or transfer of tangible personal
2 property as an incident to the rendering of service for
3 owners, lessors, or shippers of tangible personal
4 property which is utilized by interstate carriers for
5 hire for use as rolling stock moving in interstate
6 commerce so long as so used by interstate carriers for
7 hire, and equipment operated by a telecommunications
8 provider, licensed as a common carrier by the Federal
9 Communications Commission, which is permanently installed
10 in or affixed to aircraft moving in interstate commerce.

11 (4a-5) on and after July 1, 2003, a sale or
12 transfer of a motor vehicle of the second division with
13 a gross vehicle weight in excess of 8,000 pounds as an
14 incident to the rendering of service if that motor
15 vehicle is subject to the commercial distribution fee
16 imposed under Section 3-815.1 of the Illinois Vehicle
17 Code. This exemption applies to repair and replacement
18 parts added after the initial purchase of such a motor
19 vehicle if that motor vehicle is used in a manner that
20 would qualify for the rolling stock exemption otherwise
21 provided for in this Act.

22 (5) a sale or transfer of machinery and equipment
23 used primarily in the process of the manufacturing or
24 assembling, either in an existing, an expanded or a new
25 manufacturing facility, of tangible personal property for
26 wholesale or retail sale or lease, whether such sale or
27 lease is made directly by the manufacturer or by some
28 other person, whether the materials used in the process
29 are owned by the manufacturer or some other person, or
30 whether such sale or lease is made apart from or as an
31 incident to the seller's engaging in a service occupation
32 and the applicable tax is a Service Use Tax or Service
33 Occupation Tax, rather than Use Tax or Retailers'
34 Occupation Tax.

1 (5a) the repairing, reconditioning or remodeling,
2 for a common carrier by rail, of tangible personal
3 property which belongs to such carrier for hire, and as
4 to which such carrier receives the physical possession of
5 the repaired, reconditioned or remodeled item of tangible
6 personal property in Illinois, and which such carrier
7 transports, or shares with another common carrier in the
8 transportation of such property, out of Illinois on a
9 standard uniform bill of lading showing the person who
10 repaired, reconditioned or remodeled the property to a
11 destination outside Illinois, for use outside Illinois.

12 (5b) a sale or transfer of tangible personal
13 property which is produced by the seller thereof on
14 special order in such a way as to have made the
15 applicable tax the Service Occupation Tax or the Service
16 Use Tax, rather than the Retailers' Occupation Tax or the
17 Use Tax, for an interstate carrier by rail which receives
18 the physical possession of such property in Illinois, and
19 which transports such property, or shares with another
20 common carrier in the transportation of such property,
21 out of Illinois on a standard uniform bill of lading
22 showing the seller of the property as the shipper or
23 consignor of such property to a destination outside
24 Illinois, for use outside Illinois.

25 (6) a sale or transfer of distillation machinery
26 and equipment, sold as a unit or kit and assembled or
27 installed by the retailer, which machinery and equipment
28 is certified by the user to be used only for the
29 production of ethyl alcohol that will be used for
30 consumption as motor fuel or as a component of motor fuel
31 for the personal use of such user and not subject to sale
32 or resale.

33 (7) at the election of any serviceman not required
34 to be otherwise registered as a retailer under Section 2a

1 of the Retailers' Occupation Tax Act, made for each
2 fiscal year sales of service in which the aggregate
3 annual cost price of tangible personal property
4 transferred as an incident to the sales of service is
5 less than 35%, or 75% in the case of servicemen
6 transferring prescription drugs or servicemen engaged in
7 graphic arts production, of the aggregate annual total
8 gross receipts from all sales of service. The purchase of
9 such tangible personal property by the serviceman shall
10 be subject to tax under the Retailers' Occupation Tax Act
11 and the Use Tax Act. However, if a primary serviceman who
12 has made the election described in this paragraph
13 subcontracts service work to a secondary serviceman who
14 has also made the election described in this paragraph,
15 the primary serviceman does not incur a Use Tax liability
16 if the secondary serviceman (i) has paid or will pay Use
17 Tax on his or her cost price of any tangible personal
18 property transferred to the primary serviceman and (ii)
19 certifies that fact in writing to the primary serviceman.

20 Tangible personal property transferred incident to the
21 completion of a maintenance agreement is exempt from the tax
22 imposed pursuant to this Act.

23 Exemption (5) also includes machinery and equipment used
24 in the general maintenance or repair of such exempt machinery
25 and equipment or for in-house manufacture of exempt machinery
26 and equipment. For the purposes of exemption (5), each of
27 these terms shall have the following meanings: (1)
28 "manufacturing process" shall mean the production of any
29 article of tangible personal property, whether such article
30 is a finished product or an article for use in the process of
31 manufacturing or assembling a different article of tangible
32 personal property, by procedures commonly regarded as
33 manufacturing, processing, fabricating, or refining which
34 changes some existing material or materials into a material

1 with a different form, use or name. In relation to a
2 recognized integrated business composed of a series of
3 operations which collectively constitute manufacturing, or
4 individually constitute manufacturing operations, the
5 manufacturing process shall be deemed to commence with the
6 first operation or stage of production in the series, and
7 shall not be deemed to end until the completion of the final
8 product in the last operation or stage of production in the
9 series; and further, for purposes of exemption (5),
10 photoprocessing is deemed to be a manufacturing process of
11 tangible personal property for wholesale or retail sale; (2)
12 "assembling process" shall mean the production of any article
13 of tangible personal property, whether such article is a
14 finished product or an article for use in the process of
15 manufacturing or assembling a different article of tangible
16 personal property, by the combination of existing materials
17 in a manner commonly regarded as assembling which results in
18 a material of a different form, use or name; (3) "machinery"
19 shall mean major mechanical machines or major components of
20 such machines contributing to a manufacturing or assembling
21 process; and (4) "equipment" shall include any independent
22 device or tool separate from any machinery but essential to
23 an integrated manufacturing or assembly process; including
24 computers used primarily in a manufacturer's computer
25 assisted design, computer assisted manufacturing (CAD/CAM)
26 system; or any subunit or assembly comprising a component of
27 any machinery or auxiliary, adjunct or attachment parts of
28 machinery, such as tools, dies, jigs, fixtures, patterns and
29 molds; or any parts which require periodic replacement in the
30 course of normal operation; but shall not include hand tools.
31 Equipment includes chemicals or chemicals acting as catalysts
32 but only if the chemicals or chemicals acting as catalysts
33 effect a direct and immediate change upon a product being
34 manufactured or assembled for wholesale or retail sale or

1 lease. The purchaser of such machinery and equipment who has
2 an active resale registration number shall furnish such
3 number to the seller at the time of purchase. The user of
4 such machinery and equipment and tools without an active
5 resale registration number shall prepare a certificate of
6 exemption for each transaction stating facts establishing the
7 exemption for that transaction, which certificate shall be
8 available to the Department for inspection or audit. The
9 Department shall prescribe the form of the certificate.

10 Any informal rulings, opinions or letters issued by the
11 Department in response to an inquiry or request for any
12 opinion from any person regarding the coverage and
13 applicability of exemption (5) to specific devices shall be
14 published, maintained as a public record, and made available
15 for public inspection and copying. If the informal ruling,
16 opinion or letter contains trade secrets or other
17 confidential information, where possible the Department shall
18 delete such information prior to publication. Whenever such
19 informal rulings, opinions, or letters contain any policy of
20 general applicability, the Department shall formulate and
21 adopt such policy as a rule in accordance with the provisions
22 of the Illinois Administrative Procedure Act.

23 On and after July 1, 1987, no entity otherwise eligible
24 under exemption (3) of this Section shall make tax free
25 purchases unless it has an active exemption identification
26 number issued by the Department.

27 The purchase, employment and transfer of such tangible
28 personal property as newsprint and ink for the primary
29 purpose of conveying news (with or without other information)
30 is not a purchase, use or sale of service or of tangible
31 personal property within the meaning of this Act.

32 "Serviceman" means any person who is engaged in the
33 occupation of making sales of service.

34 "Sale at retail" means "sale at retail" as defined in the

1 Retailers' Occupation Tax Act.

2 "Supplier" means any person who makes sales of tangible
3 personal property to servicemen for the purpose of resale as
4 an incident to a sale of service.

5 "Serviceman maintaining a place of business in this
6 State", or any like term, means and includes any serviceman:

7 1. having or maintaining within this State,
8 directly or by a subsidiary, an office, distribution
9 house, sales house, warehouse or other place of business,
10 or any agent or other representative operating within
11 this State under the authority of the serviceman or its
12 subsidiary, irrespective of whether such place of
13 business or agent or other representative is located here
14 permanently or temporarily, or whether such serviceman or
15 subsidiary is licensed to do business in this State;

16 2. soliciting orders for tangible personal property
17 by means of a telecommunication or television shopping
18 system (which utilizes toll free numbers) which is
19 intended by the retailer to be broadcast by cable
20 television or other means of broadcasting, to consumers
21 located in this State;

22 3. pursuant to a contract with a broadcaster or
23 publisher located in this State, soliciting orders for
24 tangible personal property by means of advertising which
25 is disseminated primarily to consumers located in this
26 State and only secondarily to bordering jurisdictions;

27 4. soliciting orders for tangible personal property
28 by mail if the solicitations are substantial and
29 recurring and if the retailer benefits from any banking,
30 financing, debt collection, telecommunication, or
31 marketing activities occurring in this State or benefits
32 from the location in this State of authorized
33 installation, servicing, or repair facilities;

34 5. being owned or controlled by the same interests

1 which own or control any retailer engaging in business in
2 the same or similar line of business in this State;

3 6. having a franchisee or licensee operating under
4 its trade name if the franchisee or licensee is required
5 to collect the tax under this Section;

6 7. pursuant to a contract with a cable television
7 operator located in this State, soliciting orders for
8 tangible personal property by means of advertising which
9 is transmitted or distributed over a cable television
10 system in this State; or

11 8. engaging in activities in Illinois, which
12 activities in the state in which the supply business
13 engaging in such activities is located would constitute
14 maintaining a place of business in that state.

15 (Source: P.A. 91-51, eff. 6-30-99; 92-484, eff. 8-23-01.)

16 (35 ILCS 110/3-45) (from Ch. 120, par. 439.33-45)

17 Sec. 3-45. Multistate exemption. To prevent actual or
18 likely multistate taxation, the tax imposed by this Act does
19 not apply to the use of tangible personal property in this
20 State under the following circumstances:

21 (a) The use, in this State, of property acquired outside
22 this State by a nonresident individual and brought into this
23 State by the individual for his or her own use while
24 temporarily within this State or while passing through this
25 State.

26 (b) The use, in this State, of property that is acquired
27 outside this State and that is moved into this State for use
28 as rolling stock moving in interstate commerce.

29 (c) The use, in this State, of property that is acquired
30 outside this State and caused to be brought into this State
31 by a person who has already paid a tax in another state in
32 respect to the sale, purchase, or use of that property, to
33 the extent of the amount of the tax properly due and paid in

1 the other state.

2 (d) The temporary storage, in this State, of property
3 that is acquired outside this State and that after being
4 brought into this State and stored here temporarily, is used
5 solely outside this State or is physically attached to or
6 incorporated into other property that is used solely outside
7 this State, or is altered by converting, fabricating,
8 manufacturing, printing, processing, or shaping, and, as
9 altered, is used solely outside this State.

10 (e) Beginning July 1, 1999, the use, in this State, of
11 fuel acquired outside this State and brought into this State
12 in the fuel supply tanks of locomotives engaged in freight
13 hauling and passenger service for interstate commerce. This
14 subsection is exempt from the provisions of Section 3-75.

15 (f) Beginning on January 1, 2002, the use of tangible
16 personal property purchased from an Illinois retailer by a
17 taxpayer engaged in centralized purchasing activities in
18 Illinois who will, upon receipt of the property in Illinois,
19 temporarily store the property in Illinois (i) for the
20 purpose of subsequently transporting it outside this State
21 for use or consumption thereafter solely outside this State
22 or (ii) for the purpose of being processed, fabricated, or
23 manufactured into, attached to, or incorporated into other
24 tangible personal property to be transported outside this
25 State and thereafter used or consumed solely outside this
26 State. The Director of Revenue shall, pursuant to rules
27 adopted in accordance with the Illinois Administrative
28 Procedure Act, issue a permit to any taxpayer in good
29 standing with the Department who is eligible for the
30 exemption under this subsection (f). The permit issued under
31 this subsection (f) shall authorize the holder, to the extent
32 and in the manner specified in the rules adopted under this
33 Act, to purchase tangible personal property from a retailer
34 exempt from the taxes imposed by this Act. Taxpayers shall

1 maintain all necessary books and records to substantiate the
2 use and consumption of all such tangible personal property
3 outside of the State of Illinois.

4 (Source: P.A. 91-51, eff. 6-30-99; 91-313, eff. 7-29-99;
5 91-587, eff. 8-14-99; 92-16, eff. 6-28-01; 92-488, eff.
6 8-23-01.)

7 (35 ILCS 110/3-50) (from Ch. 120, par. 439.33-50)

8 Sec. 3-50. Rolling stock exemption. Except as provided
9 in Section 3-51 of this Act, the rolling stock exemption
10 applies to rolling stock used by an interstate carrier for
11 hire, even just between points in Illinois, if the rolling
12 stock transports, for hire, persons whose journeys or
13 property whose shipments originate or terminate outside
14 Illinois.

15 (Source: P.A. 91-51, eff. 6-30-99.)

16 (35 ILCS 110/3-51)

17 Sec. 3-51. Motor vehicles; use as rolling stock
18 definition. Through June 30, 2003, "use as rolling stock
19 moving in interstate commerce" in subsection (b) of Section
20 3-45 means for motor vehicles, as defined in Section 1-46 of
21 the Illinois Vehicle Code, and trailers, as defined in
22 Section 1-209 of the Illinois Vehicle Code, when on 15 or
23 more occasions in a 12-month period the motor vehicle and
24 trailer has carried persons or property for hire in
25 interstate commerce, even just between points in Illinois, if
26 the motor vehicle and trailer transports persons whose
27 journeys or property whose shipments originate or terminate
28 outside Illinois. This definition applies to all property
29 purchased for the purpose of being attached to those motor
30 vehicles or trailers as a part thereof. On and after July 1,
31 2003, "use as rolling stock moving in interstate commerce" in
32 paragraphs (4) and (4a) of the definition of "sale of

1 service" in Section 2 and subsection (b) of Section 3-45
2 occurs for motor vehicles, as defined in Section 1-146 of the
3 Illinois Vehicle Code, when during a 12-month period the
4 rolling stock has carried persons or property for hire in
5 interstate commerce for 51% of its total trips and transports
6 persons whose journeys or property whose shipments originate
7 or terminate outside Illinois. Trips that are only between
8 points in Illinois shall not be counted as interstate trips
9 when calculating whether the tangible personal property
10 qualifies for the exemption but such trips shall be included
11 in total trips taken.

12 (Source: P.A. 91-587, eff. 8-14-99.)

13 Section 15. The Service Occupation Tax Act is amended by
14 changing Sections 2 and 2d as follows:

15 (35 ILCS 115/2) (from Ch. 120, par. 439.102)

16 Sec. 2. "Transfer" means any transfer of the title to
17 property or of the ownership of property whether or not the
18 transferor retains title as security for the payment of
19 amounts due him from the transferee.

20 "Cost Price" means the consideration paid by the
21 serviceman for a purchase valued in money, whether paid in
22 money or otherwise, including cash, credits and services, and
23 shall be determined without any deduction on account of the
24 supplier's cost of the property sold or on account of any
25 other expense incurred by the supplier. When a serviceman
26 contracts out part or all of the services required in his
27 sale of service, it shall be presumed that the cost price to
28 the serviceman of the property transferred to him by his or
29 her subcontractor is equal to 50% of the subcontractor's
30 charges to the serviceman in the absence of proof of the
31 consideration paid by the subcontractor for the purchase of
32 such property.

1 "Department" means the Department of Revenue.

2 "Person" means any natural individual, firm, partnership,
3 association, joint stock company, joint venture, public or
4 private corporation, limited liability company, and any
5 receiver, executor, trustee, guardian or other representative
6 appointed by order of any court.

7 "Sale of Service" means any transaction except:

8 (a) A retail sale of tangible personal property taxable
9 under the Retailers' Occupation Tax Act or under the Use Tax
10 Act.

11 (b) A sale of tangible personal property for the purpose
12 of resale made in compliance with Section 2c of the
13 Retailers' Occupation Tax Act.

14 (c) Except as hereinafter provided, a sale or transfer
15 of tangible personal property as an incident to the rendering
16 of service for or by any governmental body or for or by any
17 corporation, society, association, foundation or institution
18 organized and operated exclusively for charitable, religious
19 or educational purposes or any not-for-profit corporation,
20 society, association, foundation, institution or organization
21 which has no compensated officers or employees and which is
22 organized and operated primarily for the recreation of
23 persons 55 years of age or older. A limited liability company
24 may qualify for the exemption under this paragraph only if
25 the limited liability company is organized and operated
26 exclusively for educational purposes.

27 (d) A sale or transfer of tangible personal property as
28 an incident to the rendering of service for interstate
29 carriers for hire for use as rolling stock moving in
30 interstate commerce or lessors under leases of one year or
31 longer, executed or in effect at the time of purchase, to
32 interstate carriers for hire for use as rolling stock moving
33 in interstate commerce, and equipment operated by a
34 telecommunications provider, licensed as a common carrier by

1 the Federal Communications Commission, which is permanently
2 installed in or affixed to aircraft moving in interstate
3 commerce.

4 (d-1) A sale or transfer of tangible personal property
5 as an incident to the rendering of service for owners,
6 lessors or shippers of tangible personal property which is
7 utilized by interstate carriers for hire for use as rolling
8 stock moving in interstate commerce, and equipment operated
9 by a telecommunications provider, licensed as a common
10 carrier by the Federal Communications Commission, which is
11 permanently installed in or affixed to aircraft moving in
12 interstate commerce.

13 (d-1.1) On and after July 1, 2003, a sale or transfer of
14 a motor vehicle of the second division with a gross vehicle
15 weight in excess of 8,000 pounds as an incident to the
16 rendering of service if that motor vehicle is subject to the
17 commercial distribution fee imposed under Section 3-815.1 of
18 the Illinois Vehicle Code. This exemption applies to repair
19 and replacement parts added after the initial purchase of
20 such a motor vehicle if that motor vehicle is used in a
21 manner that would qualify for the rolling stock exemption
22 otherwise provided for in this Act.

23 (d-2) The repairing, reconditioning or remodeling, for a
24 common carrier by rail, of tangible personal property which
25 belongs to such carrier for hire, and as to which such
26 carrier receives the physical possession of the repaired,
27 reconditioned or remodeled item of tangible personal property
28 in Illinois, and which such carrier transports, or shares
29 with another common carrier in the transportation of such
30 property, out of Illinois on a standard uniform bill of
31 lading showing the person who repaired, reconditioned or
32 remodeled the property as the shipper or consignor of such
33 property to a destination outside Illinois, for use outside
34 Illinois.

1 (d-3) A sale or transfer of tangible personal property
2 which is produced by the seller thereof on special order in
3 such a way as to have made the applicable tax the Service
4 Occupation Tax or the Service Use Tax, rather than the
5 Retailers' Occupation Tax or the Use Tax, for an interstate
6 carrier by rail which receives the physical possession of
7 such property in Illinois, and which transports such
8 property, or shares with another common carrier in the
9 transportation of such property, out of Illinois on a
10 standard uniform bill of lading showing the seller of the
11 property as the shipper or consignor of such property to a
12 destination outside Illinois, for use outside Illinois.

13 (d-4) Until January 1, 1997, a sale, by a registered
14 serviceman paying tax under this Act to the Department, of
15 special order printed materials delivered outside Illinois
16 and which are not returned to this State, if delivery is made
17 by the seller or agent of the seller, including an agent who
18 causes the product to be delivered outside Illinois by a
19 common carrier or the U.S. postal service.

20 (e) A sale or transfer of machinery and equipment used
21 primarily in the process of the manufacturing or assembling,
22 either in an existing, an expanded or a new manufacturing
23 facility, of tangible personal property for wholesale or
24 retail sale or lease, whether such sale or lease is made
25 directly by the manufacturer or by some other person, whether
26 the materials used in the process are owned by the
27 manufacturer or some other person, or whether such sale or
28 lease is made apart from or as an incident to the seller's
29 engaging in a service occupation and the applicable tax is a
30 Service Occupation Tax or Service Use Tax, rather than
31 Retailers' Occupation Tax or Use Tax.

32 (f) The sale or transfer of distillation machinery and
33 equipment, sold as a unit or kit and assembled or installed
34 by the retailer, which machinery and equipment is certified

1 by the user to be used only for the production of ethyl
2 alcohol that will be used for consumption as motor fuel or as
3 a component of motor fuel for the personal use of such user
4 and not subject to sale or resale.

5 (g) At the election of any serviceman not required to be
6 otherwise registered as a retailer under Section 2a of the
7 Retailers' Occupation Tax Act, made for each fiscal year
8 sales of service in which the aggregate annual cost price of
9 tangible personal property transferred as an incident to the
10 sales of service is less than 35% (75% in the case of
11 servicemen transferring prescription drugs or servicemen
12 engaged in graphic arts production) of the aggregate annual
13 total gross receipts from all sales of service. The purchase
14 of such tangible personal property by the serviceman shall be
15 subject to tax under the Retailers' Occupation Tax Act and
16 the Use Tax Act. However, if a primary serviceman who has
17 made the election described in this paragraph subcontracts
18 service work to a secondary serviceman who has also made the
19 election described in this paragraph, the primary serviceman
20 does not incur a Use Tax liability if the secondary
21 serviceman (i) has paid or will pay Use Tax on his or her
22 cost price of any tangible personal property transferred to
23 the primary serviceman and (ii) certifies that fact in
24 writing to the primary serviceman.

25 Tangible personal property transferred incident to the
26 completion of a maintenance agreement is exempt from the tax
27 imposed pursuant to this Act.

28 Exemption (e) also includes machinery and equipment used
29 in the general maintenance or repair of such exempt machinery
30 and equipment or for in-house manufacture of exempt machinery
31 and equipment. For the purposes of exemption (e), each of
32 these terms shall have the following meanings: (1)
33 "manufacturing process" shall mean the production of any
34 article of tangible personal property, whether such article

1 is a finished product or an article for use in the process of
2 manufacturing or assembling a different article of tangible
3 personal property, by procedures commonly regarded as
4 manufacturing, processing, fabricating, or refining which
5 changes some existing material or materials into a material
6 with a different form, use or name. In relation to a
7 recognized integrated business composed of a series of
8 operations which collectively constitute manufacturing, or
9 individually constitute manufacturing operations, the
10 manufacturing process shall be deemed to commence with the
11 first operation or stage of production in the series, and
12 shall not be deemed to end until the completion of the final
13 product in the last operation or stage of production in the
14 series; and further for purposes of exemption (e),
15 photoprocessing is deemed to be a manufacturing process of
16 tangible personal property for wholesale or retail sale; (2)
17 "assembling process" shall mean the production of any article
18 of tangible personal property, whether such article is a
19 finished product or an article for use in the process of
20 manufacturing or assembling a different article of tangible
21 personal property, by the combination of existing materials
22 in a manner commonly regarded as assembling which results in
23 a material of a different form, use or name; (3) "machinery"
24 shall mean major mechanical machines or major components of
25 such machines contributing to a manufacturing or assembling
26 process; and (4) "equipment" shall include any independent
27 device or tool separate from any machinery but essential to
28 an integrated manufacturing or assembly process; including
29 computers used primarily in a manufacturer's manufaeturer's
30 computer assisted design, computer assisted manufacturing
31 (CAD/CAM) system; or any subunit or assembly comprising a
32 component of any machinery or auxiliary, adjunct or
33 attachment parts of machinery, such as tools, dies, jigs,
34 fixtures, patterns and molds; or any parts which require

1 periodic replacement in the course of normal operation; but
2 shall not include hand tools. Equipment includes chemicals
3 or chemicals acting as catalysts but only if the chemicals or
4 chemicals acting as catalysts effect a direct and immediate
5 change upon a product being manufactured or assembled for
6 wholesale or retail sale or lease. The purchaser of such
7 machinery and equipment who has an active resale registration
8 number shall furnish such number to the seller at the time of
9 purchase. The purchaser of such machinery and equipment and
10 tools without an active resale registration number shall
11 furnish to the seller a certificate of exemption for each
12 transaction stating facts establishing the exemption for that
13 transaction, which certificate shall be available to the
14 Department for inspection or audit.

15 Except as provided in Section 2d of this Act, the rolling
16 stock exemption applies to rolling stock used by an
17 interstate carrier for hire, even just between points in
18 Illinois, if such rolling stock transports, for hire, persons
19 whose journeys or property whose shipments originate or
20 terminate outside Illinois.

21 Any informal rulings, opinions or letters issued by the
22 Department in response to an inquiry or request for any
23 opinion from any person regarding the coverage and
24 applicability of exemption (e) to specific devices shall be
25 published, maintained as a public record, and made available
26 for public inspection and copying. If the informal ruling,
27 opinion or letter contains trade secrets or other
28 confidential information, where possible the Department shall
29 delete such information prior to publication. Whenever such
30 informal rulings, opinions, or letters contain any policy of
31 general applicability, the Department shall formulate and
32 adopt such policy as a rule in accordance with the provisions
33 of the Illinois Administrative Procedure Act.

34 On and after July 1, 1987, no entity otherwise eligible

1 under exemption (c) of this Section shall make tax free
2 purchases unless it has an active exemption identification
3 number issued by the Department.

4 "Serviceman" means any person who is engaged in the
5 occupation of making sales of service.

6 "Sale at Retail" means "sale at retail" as defined in the
7 Retailers' Occupation Tax Act.

8 "Supplier" means any person who makes sales of tangible
9 personal property to servicemen for the purpose of resale as
10 an incident to a sale of service.

11 (Source: P.A. 91-51, eff. 6-30-99; 92-484, eff. 8-23-01;
12 revised 11-22-02.)

13 (35 ILCS 115/2d)

14 Sec. 2d. Motor vehicles; use as rolling stock definition.
15 Through June 30, 2003, "use as rolling stock moving in
16 interstate commerce" in subsections (d) and (d-1) of the
17 definition of "sale of service" in Section 2 means for motor
18 vehicles, as defined in Section 1-146 of the Illinois Vehicle
19 Code, and trailers, as defined in Section 1-209 of the
20 Illinois Vehicle Code, when on 15 or more occasions in a
21 12-month period the motor vehicle and trailer has carried
22 persons or property for hire in interstate commerce, even
23 just between points in Illinois, if the motor vehicle and
24 trailer transports persons whose journeys or property whose
25 shipments originate or terminate outside Illinois. This
26 definition applies to all property purchased for the purpose
27 of being attached to those motor vehicles or trailers as a
28 part thereof. On and after July 1, 2003, "use as rolling
29 stock moving in interstate commerce" in paragraphs (d) and
30 (d-1) of the definition of "sale of service" in Section 2
31 occurs for motor vehicles, as defined in Section 1-146 of the
32 Illinois Vehicle Code, when during a 12-month period the
33 rolling stock has carried persons or property for hire in

1 interstate commerce for 51% of its total trips and transports
2 persons whose journeys or property whose shipments originate
3 or terminate outside Illinois. Trips that are only between
4 points in Illinois will not be counted as interstate trips
5 when calculating whether the tangible personal property
6 qualifies for the exemption but such trips will be included
7 in total trips taken.

8 (Source: P.A. 91-587, eff. 8-14-99.)

9 Section 20. The Retailers' Occupation Tax Act is amended
10 by changing Sections 2-5, 2-50, and 2-51 as follows:

11 (35 ILCS 120/2-5) (from Ch. 120, par. 441-5)

12 Sec. 2-5. Exemptions. Gross receipts from proceeds from
13 the sale of the following tangible personal property are
14 exempt from the tax imposed by this Act:

15 (1) Farm chemicals.

16 (2) Farm machinery and equipment, both new and used,
17 including that manufactured on special order, certified by
18 the purchaser to be used primarily for production agriculture
19 or State or federal agricultural programs, including
20 individual replacement parts for the machinery and equipment,
21 including machinery and equipment purchased for lease, and
22 including implements of husbandry defined in Section 1-130 of
23 the Illinois Vehicle Code, farm machinery and agricultural
24 chemical and fertilizer spreaders, and nurse wagons required
25 to be registered under Section 3-809 of the Illinois Vehicle
26 Code, but excluding other motor vehicles required to be
27 registered under the Illinois Vehicle Code. Horticultural
28 polyhouses or hoop houses used for propagating, growing, or
29 overwintering plants shall be considered farm machinery and
30 equipment under this item (2). Agricultural chemical tender
31 tanks and dry boxes shall include units sold separately from
32 a motor vehicle required to be licensed and units sold

1 mounted on a motor vehicle required to be licensed, if the
2 selling price of the tender is separately stated.

3 Farm machinery and equipment shall include precision
4 farming equipment that is installed or purchased to be
5 installed on farm machinery and equipment including, but not
6 limited to, tractors, harvesters, sprayers, planters,
7 seeders, or spreaders. Precision farming equipment includes,
8 but is not limited to, soil testing sensors, computers,
9 monitors, software, global positioning and mapping systems,
10 and other such equipment.

11 Farm machinery and equipment also includes computers,
12 sensors, software, and related equipment used primarily in
13 the computer-assisted operation of production agriculture
14 facilities, equipment, and activities such as, but not
15 limited to, the collection, monitoring, and correlation of
16 animal and crop data for the purpose of formulating animal
17 diets and agricultural chemicals. This item (7) is exempt
18 from the provisions of Section 2-70.

19 (3) Distillation machinery and equipment, sold as a unit
20 or kit, assembled or installed by the retailer, certified by
21 the user to be used only for the production of ethyl alcohol
22 that will be used for consumption as motor fuel or as a
23 component of motor fuel for the personal use of the user, and
24 not subject to sale or resale.

25 (4) Graphic arts machinery and equipment, including
26 repair and replacement parts, both new and used, and
27 including that manufactured on special order or purchased for
28 lease, certified by the purchaser to be used primarily for
29 graphic arts production. Equipment includes chemicals or
30 chemicals acting as catalysts but only if the chemicals or
31 chemicals acting as catalysts effect a direct and immediate
32 change upon a graphic arts product.

33 (5) A motor vehicle of the first division, a motor
34 vehicle of the second division that is a self-contained motor

1 vehicle designed or permanently converted to provide living
2 quarters for recreational, camping, or travel use, with
3 direct walk through access to the living quarters from the
4 driver's seat, or a motor vehicle of the second division that
5 is of the van configuration designed for the transportation
6 of not less than 7 nor more than 16 passengers, as defined in
7 Section 1-146 of the Illinois Vehicle Code, that is used for
8 automobile renting, as defined in the Automobile Renting
9 Occupation and Use Tax Act.

10 (6) Personal property sold by a teacher-sponsored
11 student organization affiliated with an elementary or
12 secondary school located in Illinois.

13 (7) Proceeds of that portion of the selling price of a
14 passenger car the sale of which is subject to the Replacement
15 Vehicle Tax.

16 (8) Personal property sold to an Illinois county fair
17 association for use in conducting, operating, or promoting
18 the county fair.

19 (9) Personal property sold to a not-for-profit arts or
20 cultural organization that establishes, by proof required by
21 the Department by rule, that it has received an exemption
22 under Section 501(c)(3) of the Internal Revenue Code and that
23 is organized and operated primarily for the presentation or
24 support of arts or cultural programming, activities, or
25 services. These organizations include, but are not limited
26 to, music and dramatic arts organizations such as symphony
27 orchestras and theatrical groups, arts and cultural service
28 organizations, local arts councils, visual arts
29 organizations, and media arts organizations. On and after the
30 effective date of this amendatory Act of the 92nd General
31 Assembly, however, an entity otherwise eligible for this
32 exemption shall not make tax-free purchases unless it has an
33 active identification number issued by the Department.

34 (10) Personal property sold by a corporation, society,

1 association, foundation, institution, or organization, other
2 than a limited liability company, that is organized and
3 operated as a not-for-profit service enterprise for the
4 benefit of persons 65 years of age or older if the personal
5 property was not purchased by the enterprise for the purpose
6 of resale by the enterprise.

7 (11) Personal property sold to a governmental body, to a
8 corporation, society, association, foundation, or institution
9 organized and operated exclusively for charitable, religious,
10 or educational purposes, or to a not-for-profit corporation,
11 society, association, foundation, institution, or
12 organization that has no compensated officers or employees
13 and that is organized and operated primarily for the
14 recreation of persons 55 years of age or older. A limited
15 liability company may qualify for the exemption under this
16 paragraph only if the limited liability company is organized
17 and operated exclusively for educational purposes. On and
18 after July 1, 1987, however, no entity otherwise eligible for
19 this exemption shall make tax-free purchases unless it has an
20 active identification number issued by the Department.

21 (12) Tangible personal property sold to interstate
22 carriers for hire for use as rolling stock moving in
23 interstate commerce or to lessors under leases of one year or
24 longer executed or in effect at the time of purchase by
25 interstate carriers for hire for use as rolling stock moving
26 in interstate commerce and equipment operated by a
27 telecommunications provider, licensed as a common carrier by
28 the Federal Communications Commission, which is permanently
29 installed in or affixed to aircraft moving in interstate
30 commerce.

31 (12-5) On and after July 1, 2003, motor vehicles of the
32 second division with a gross vehicle weight in excess of
33 8,000 pounds that are subject to the commercial distribution
34 fee imposed under Section 3-815.1 of the Illinois Vehicle

1 Code. This exemption applies to repair and replacement parts
2 added after the initial purchase of such a motor vehicle if
3 that motor vehicle is used in a manner that would qualify for
4 the rolling stock exemption otherwise provided for in this
5 Act.

6 (13) Proceeds from sales to owners, lessors, or shippers
7 of tangible personal property that is utilized by interstate
8 carriers for hire for use as rolling stock moving in
9 interstate commerce and equipment operated by a
10 telecommunications provider, licensed as a common carrier by
11 the Federal Communications Commission, which is permanently
12 installed in or affixed to aircraft moving in interstate
13 commerce.

14 (14) Machinery and equipment that will be used by the
15 purchaser, or a lessee of the purchaser, primarily in the
16 process of manufacturing or assembling tangible personal
17 property for wholesale or retail sale or lease, whether the
18 sale or lease is made directly by the manufacturer or by some
19 other person, whether the materials used in the process are
20 owned by the manufacturer or some other person, or whether
21 the sale or lease is made apart from or as an incident to the
22 seller's engaging in the service occupation of producing
23 machines, tools, dies, jigs, patterns, gauges, or other
24 similar items of no commercial value on special order for a
25 particular purchaser.

26 (15) Proceeds of mandatory service charges separately
27 stated on customers' bills for purchase and consumption of
28 food and beverages, to the extent that the proceeds of the
29 service charge are in fact turned over as tips or as a
30 substitute for tips to the employees who participate directly
31 in preparing, serving, hosting or cleaning up the food or
32 beverage function with respect to which the service charge is
33 imposed.

34 (16) Petroleum products sold to a purchaser if the

1 seller is prohibited by federal law from charging tax to the
2 purchaser.

3 (17) Tangible personal property sold to a common carrier
4 by rail or motor that receives the physical possession of the
5 property in Illinois and that transports the property, or
6 shares with another common carrier in the transportation of
7 the property, out of Illinois on a standard uniform bill of
8 lading showing the seller of the property as the shipper or
9 consignor of the property to a destination outside Illinois,
10 for use outside Illinois.

11 (18) Legal tender, currency, medallions, or gold or
12 silver coinage issued by the State of Illinois, the
13 government of the United States of America, or the government
14 of any foreign country, and bullion.

15 (19) Oil field exploration, drilling, and production
16 equipment, including (i) rigs and parts of rigs, rotary rigs,
17 cable tool rigs, and workover rigs, (ii) pipe and tubular
18 goods, including casing and drill strings, (iii) pumps and
19 pump-jack units, (iv) storage tanks and flow lines, (v) any
20 individual replacement part for oil field exploration,
21 drilling, and production equipment, and (vi) machinery and
22 equipment purchased for lease; but excluding motor vehicles
23 required to be registered under the Illinois Vehicle Code.

24 (20) Photoprocessing machinery and equipment, including
25 repair and replacement parts, both new and used, including
26 that manufactured on special order, certified by the
27 purchaser to be used primarily for photoprocessing, and
28 including photoprocessing machinery and equipment purchased
29 for lease.

30 (21) Coal exploration, mining, offhighway hauling,
31 processing, maintenance, and reclamation equipment, including
32 replacement parts and equipment, and including equipment
33 purchased for lease, but excluding motor vehicles required to
34 be registered under the Illinois Vehicle Code.

1 (22) Fuel and petroleum products sold to or used by an
2 air carrier, certified by the carrier to be used for
3 consumption, shipment, or storage in the conduct of its
4 business as an air common carrier, for a flight destined for
5 or returning from a location or locations outside the United
6 States without regard to previous or subsequent domestic
7 stopovers.

8 (23) A transaction in which the purchase order is
9 received by a florist who is located outside Illinois, but
10 who has a florist located in Illinois deliver the property to
11 the purchaser or the purchaser's donee in Illinois.

12 (24) Fuel consumed or used in the operation of ships,
13 barges, or vessels that are used primarily in or for the
14 transportation of property or the conveyance of persons for
15 hire on rivers bordering on this State if the fuel is
16 delivered by the seller to the purchaser's barge, ship, or
17 vessel while it is afloat upon that bordering river.

18 (25) A motor vehicle sold in this State to a nonresident
19 even though the motor vehicle is delivered to the nonresident
20 in this State, if the motor vehicle is not to be titled in
21 this State, and if a drive-away permit is issued to the motor
22 vehicle as provided in Section 3-603 of the Illinois Vehicle
23 Code or if the nonresident purchaser has vehicle registration
24 plates to transfer to the motor vehicle upon returning to his
25 or her home state. The issuance of the drive-away permit or
26 having the out-of-state registration plates to be transferred
27 is prima facie evidence that the motor vehicle will not be
28 titled in this State.

29 (26) Semen used for artificial insemination of livestock
30 for direct agricultural production.

31 (27) Horses, or interests in horses, registered with and
32 meeting the requirements of any of the Arabian Horse Club
33 Registry of America, Appaloosa Horse Club, American Quarter
34 Horse Association, United States Trotting Association, or

1 Jockey Club, as appropriate, used for purposes of breeding or
2 racing for prizes.

3 (28) Computers and communications equipment utilized for
4 any hospital purpose and equipment used in the diagnosis,
5 analysis, or treatment of hospital patients sold to a lessor
6 who leases the equipment, under a lease of one year or longer
7 executed or in effect at the time of the purchase, to a
8 hospital that has been issued an active tax exemption
9 identification number by the Department under Section 1g of
10 this Act.

11 (29) Personal property sold to a lessor who leases the
12 property, under a lease of one year or longer executed or in
13 effect at the time of the purchase, to a governmental body
14 that has been issued an active tax exemption identification
15 number by the Department under Section 1g of this Act.

16 (30) Beginning with taxable years ending on or after
17 December 31, 1995 and ending with taxable years ending on or
18 before December 31, 2004, personal property that is donated
19 for disaster relief to be used in a State or federally
20 declared disaster area in Illinois or bordering Illinois by a
21 manufacturer or retailer that is registered in this State to
22 a corporation, society, association, foundation, or
23 institution that has been issued a sales tax exemption
24 identification number by the Department that assists victims
25 of the disaster who reside within the declared disaster area.

26 (31) Beginning with taxable years ending on or after
27 December 31, 1995 and ending with taxable years ending on or
28 before December 31, 2004, personal property that is used in
29 the performance of infrastructure repairs in this State,
30 including but not limited to municipal roads and streets,
31 access roads, bridges, sidewalks, waste disposal systems,
32 water and sewer line extensions, water distribution and
33 purification facilities, storm water drainage and retention
34 facilities, and sewage treatment facilities, resulting from a

1 State or federally declared disaster in Illinois or bordering
2 Illinois when such repairs are initiated on facilities
3 located in the declared disaster area within 6 months after
4 the disaster.

5 (32) Beginning July 1, 1999, game or game birds sold at
6 a "game breeding and hunting preserve area" or an "exotic
7 game hunting area" as those terms are used in the Wildlife
8 Code or at a hunting enclosure approved through rules adopted
9 by the Department of Natural Resources. This paragraph is
10 exempt from the provisions of Section 2-70.

11 (33) A motor vehicle, as that term is defined in Section
12 1-146 of the Illinois Vehicle Code, that is donated to a
13 corporation, limited liability company, society, association,
14 foundation, or institution that is determined by the
15 Department to be organized and operated exclusively for
16 educational purposes. For purposes of this exemption, "a
17 corporation, limited liability company, society, association,
18 foundation, or institution organized and operated exclusively
19 for educational purposes" means all tax-supported public
20 schools, private schools that offer systematic instruction in
21 useful branches of learning by methods common to public
22 schools and that compare favorably in their scope and
23 intensity with the course of study presented in tax-supported
24 schools, and vocational or technical schools or institutes
25 organized and operated exclusively to provide a course of
26 study of not less than 6 weeks duration and designed to
27 prepare individuals to follow a trade or to pursue a manual,
28 technical, mechanical, industrial, business, or commercial
29 occupation.

30 (34) Beginning January 1, 2000, personal property,
31 including food, purchased through fundraising events for the
32 benefit of a public or private elementary or secondary
33 school, a group of those schools, or one or more school
34 districts if the events are sponsored by an entity recognized

1 by the school district that consists primarily of volunteers
2 and includes parents and teachers of the school children.
3 This paragraph does not apply to fundraising events (i) for
4 the benefit of private home instruction or (ii) for which the
5 fundraising entity purchases the personal property sold at
6 the events from another individual or entity that sold the
7 property for the purpose of resale by the fundraising entity
8 and that profits from the sale to the fundraising entity.
9 This paragraph is exempt from the provisions of Section 2-70.

10 (35) Beginning January 1, 2000 and through December 31,
11 2001, new or used automatic vending machines that prepare and
12 serve hot food and beverages, including coffee, soup, and
13 other items, and replacement parts for these machines.
14 Beginning January 1, 2002, machines and parts for machines
15 used in commercial, coin-operated amusement and vending
16 business if a use or occupation tax is paid on the gross
17 receipts derived from the use of the commercial,
18 coin-operated amusement and vending machines. This paragraph
19 is exempt from the provisions of Section 2-70.

20 (35-5) ~~(36)~~ Food for human consumption that is to be
21 consumed off the premises where it is sold (other than
22 alcoholic beverages, soft drinks, and food that has been
23 prepared for immediate consumption) and prescription and
24 nonprescription medicines, drugs, medical appliances, and
25 insulin, urine testing materials, syringes, and needles used
26 by diabetics, for human use, when purchased for use by a
27 person receiving medical assistance under Article 5 of the
28 Illinois Public Aid Code who resides in a licensed long-term
29 care facility, as defined in the Nursing Home Care Act.

30 (36) Beginning August 2, 2001 ~~on-the-effective--date--of~~
31 ~~this--amendatory--Act-of-the-92nd-General-Assembly~~, computers
32 and communications equipment utilized for any hospital
33 purpose and equipment used in the diagnosis, analysis, or
34 treatment of hospital patients sold to a lessor who leases

1 the equipment, under a lease of one year or longer executed
2 or in effect at the time of the purchase, to a hospital that
3 has been issued an active tax exemption identification number
4 by the Department under Section 1g of this Act. This
5 paragraph is exempt from the provisions of Section 2-70.

6 (37) Beginning August 2, 2001 ~~on-the-effective--date--of~~
7 ~~this--amendatory--Act--of-the-92nd-General-Assembly~~, personal
8 property sold to a lessor who leases the property, under a
9 lease of one year or longer executed or in effect at the time
10 of the purchase, to a governmental body that has been issued
11 an active tax exemption identification number by the
12 Department under Section 1g of this Act. This paragraph is
13 exempt from the provisions of Section 2-70.

14 (38) Beginning on January 1, 2002, tangible personal
15 property purchased from an Illinois retailer by a taxpayer
16 engaged in centralized purchasing activities in Illinois who
17 will, upon receipt of the property in Illinois, temporarily
18 store the property in Illinois (i) for the purpose of
19 subsequently transporting it outside this State for use or
20 consumption thereafter solely outside this State or (ii) for
21 the purpose of being processed, fabricated, or manufactured
22 into, attached to, or incorporated into other tangible
23 personal property to be transported outside this State and
24 thereafter used or consumed solely outside this State. The
25 Director of Revenue shall, pursuant to rules adopted in
26 accordance with the Illinois Administrative Procedure Act,
27 issue a permit to any taxpayer in good standing with the
28 Department who is eligible for the exemption under this
29 paragraph (38). The permit issued under this paragraph (38)
30 shall authorize the holder, to the extent and in the manner
31 specified in the rules adopted under this Act, to purchase
32 tangible personal property from a retailer exempt from the
33 taxes imposed by this Act. Taxpayers shall maintain all
34 necessary books and records to substantiate the use and

1 consumption of all such tangible personal property outside of
2 the State of Illinois.

3 (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;
4 91-439, eff. 8-6-99; 91-533, eff. 8-13-99; 91-637, eff.
5 8-20-99; 91-644, eff. 8-20-99; 92-16, eff. 6-28-01; 92-35,
6 eff. 7-1-01; 92-227, eff. 8-2-01; 92-337, eff. 8-10-01;
7 92-484, eff. 8-23-01; 92-488, eff. 8-23-01; 92-651, eff.
8 7-11-02; 92-680, eff. 7-16-02; revised 1-26-03.)

9 (35 ILCS 120/2-50) (from Ch. 120, par. 441-50)

10 Sec. 2-50. Rolling stock exemption. Except as provided
11 in Section 2-51 of this Act, the rolling stock exemption
12 applies to rolling stock used by an interstate carrier for
13 hire, even just between points in Illinois, if the rolling
14 stock transports, for hire, persons whose journeys or
15 property whose shipments originate or terminate outside
16 Illinois.

17 (Source: P.A. 91-51, eff. 6-30-99.)

18 (35 ILCS 120/2-51)

19 Sec. 2-51. Motor vehicles; use as rolling stock
20 definition. Through June 30, 2003, "use as rolling stock
21 moving in interstate commerce" in paragraphs (12) and (13) of
22 Section 2-5 means for motor vehicles, as defined in Section
23 1-146 of the Illinois Vehicle Code, and trailers, as defined
24 in Section 1-209 of the Illinois Vehicle Code, when on 15 or
25 more occasions in a 12-month period the motor vehicle and
26 trailer has carried persons or property for hire in
27 interstate commerce, even just between points in Illinois, if
28 the motor vehicle and trailer transports persons whose
29 journeys or property whose shipments originate or terminate
30 outside Illinois. This definition applies to all property
31 purchased for the purpose of being attached to those motor
32 vehicles or trailers as a part thereof. On and after July 1,

1 2003, "use as rolling stock moving in interstate commerce" in
2 paragraphs (12) and (13) of Section 2-5 occurs for motor
3 vehicles, as defined in Section 1-146 of the Illinois Vehicle
4 Code, when during a 12-month period the rolling stock has
5 carried persons or property for hire in interstate commerce
6 for 51% of its total trips and transports persons whose
7 journeys or property whose shipments originate or terminate
8 outside Illinois. Trips that are only between points in
9 Illinois shall not be counted as interstate trips when
10 calculating whether the tangible personal property qualifies
11 for the exemption but such trips shall be included in total
12 trips taken.

13 (Source: P.A. 91-587, eff. 8-14-99.)

14 Section 25. The Illinois Vehicle Code is amended by
15 changing Sections 3-402.1 and 20-101 and by adding Section
16 3-815.1 as follows:

17 (625 ILCS 5/3-402.1) (from Ch. 95 1/2, par. 3-402.1)

18 Sec. 3-402.1. Proportional Registration. Any owner or
19 rental owner engaged in operating a fleet of apportionable
20 vehicles in this state and one or more other states may, in
21 lieu of registration of such vehicles under the general
22 provisions of sections 3-402, 3-815, 3-815.1, and 3-819,
23 register and license such fleet for operations in this state
24 by filing an application statement, signed under penalties of
25 perjury, with the Secretary of State which shall be in such
26 form and contain such information as the Secretary of State
27 shall require, declaring the total mileage operated in all
28 states by such fleet, the total mileage operated in this
29 state by such fleet during the preceding year, and describing
30 and identifying each apportionable vehicle to be operated in
31 this state during the ensuing year. If mileage data is not
32 available for the preceding year, the Secretary of State may

1 accept the latest 12-month period available. "Preceding year"
2 means the period of 12 consecutive months immediately prior
3 to July 1st of the year immediately preceding the
4 registration or license year for which proportional
5 registration is sought.

6 Such owner shall determine the proportion of in-state
7 miles to total fleet miles. Such percentage figure shall be
8 such owner's apportionment factor. In determining the total
9 fee payment, such owner shall first compute the license fee
10 or fees for each vehicle within the fleet which would
11 otherwise be required, and then multiply the said amount by
12 the Illinois apportionment factor adding the fees for each
13 vehicle to arrive at a total amount for the fleet.
14 Apportionable trailers and semitrailers will be registered in
15 accordance with the provisions of Section 3-813 of this Code.

16 Upon receipt of the appropriate fees from such owner as
17 computed under the provisions of this section, the Secretary
18 of State shall, when this state is the base jurisdiction,
19 issue to such owner number plates or other distinctive tags
20 or such evidence of registration as the Secretary of State
21 shall deem appropriate to identify each vehicle in the fleet
22 as a part of a proportionally registered interstate fleet.

23 Vehicles registered under the provision of this section
24 shall be considered fully licensed and properly registered in
25 Illinois for any type of movement or operation. The
26 proportional registration and licensing provisions of this
27 section shall apply to vehicles added to fleets and operated
28 in this state during the registration year, applying the same
29 apportionment factor to such fees as would be payable for the
30 remainder of the registration year.

31 Apportionment factors for apportionable vehicles not
32 operated in this state during the preceding year shall be
33 determined by the Secretary of State on the basis of a full
34 statement of the proposed methods of operation and in

1 conformity with an estimated mileage chart as calculated by
2 the Secretary of State. An established fleet adding states
3 at the time of renewal shall estimate mileage for the added
4 states in conformity with a mileage chart developed by the
5 Secretary of State.

6 (Source: P.A. 90-89, eff. 1-1-98.)

7 (625 ILCS 5/3-815.1 new)

8 Sec. 3-815.1. Commercial distribution fee. Beginning
9 July 1, 2003, in addition to any tax or fee imposed under
10 this Code:

11 (a) vehicles of the second division with a gross vehicle
12 weight that exceeds 8,000 pounds and that incur any tax or
13 fee under subsection (a) of Section 3-815 of this Code or
14 subsection (a) of Section 3-818 of this Code, as applicable,
15 and shall pay to the Secretary of State a commercial
16 distribution fee, for each registration year, for the use of
17 the public highways, State infrastructure, and State
18 services, in an amount equal to 36% of the taxes and fees
19 incurred under subsection (a) of Section 3-815 of this Code,
20 or subsection (a) of Section 3-818 of this Code, as
21 applicable, rounded up to the nearest whole dollar.

22 (b) vehicles of the second division with a gross vehicle
23 weight of 8,000 pounds or less and that incur any tax or fee
24 under subsection (a) of Section 3-815 of this Code or
25 subsection (a) of Section 3-818 of this Code, as applicable,
26 and have claimed the rolling stock exemption under the
27 Retailers' Occupation Tax Act, Use Tax Act, Service
28 Occupation Tax Act, or Service Use Tax Act shall pay to the
29 Illinois Department of Revenue (or the Secretary of State
30 under an intergovernmental agreement) a commercial
31 distribution fee, for each registration year, for the use of
32 the public highways, State infrastructure, and State
33 services, in an amount equal to 36% of the taxes and fees

1 incurred under subsection (a) of Section 3-815 of this Code
2 or subsection (a) of Section 3-818 of this Code, as
3 applicable, rounded up to the nearest whole dollar.

4 The fees paid under this Section shall be deposited by
5 the Secretary of State into the General Revenue Fund.

6 (625 ILCS 5/20-101) (from Ch. 95 1/2, par. 20-101)

7 Sec. 20-101. Moneys derived from registration, operation
8 and use of automobiles and from fuel taxes - Use. From and
9 after the effective date of this Act, except as provided in
10 Section 3-815.1 of this Code, no public moneys derived from
11 fees, excises or license taxes relating to registration,
12 operation and use of vehicles on public highways or to fuels
13 used for the propulsion of such vehicles, shall be
14 appropriated or expended other than for costs of
15 administering the laws imposing such fees, excises and
16 license taxes, statutory refunds and adjustments allowed
17 thereunder, administrative costs of the Department of
18 Transportation, payment of debts and liabilities incurred in
19 construction and reconstruction of public highways and
20 bridges, acquisition of rights-of-way for, and the cost of
21 construction, reconstruction, maintenance, repair and
22 operation of public highways and bridges under the direction
23 and supervision of the State, political subdivision or
24 municipality collecting such moneys, and the costs for
25 patrolling and policing the public highways (by the State,
26 political subdivision or municipality collecting such money)
27 for enforcement of traffic laws; provided, that such moneys
28 may be used for the retirement of and interest on bonds
29 heretofore issued for purposes other than the construction of
30 public highways or bridges but not to a greater extent, nor a
31 greater length of time, than is provided in acts heretofore
32 adopted and now in force. Further the separation of grades of
33 such highways with railroads and costs associated with

1 protection of at-grade highway and railroad crossings shall
2 also be permissible.

3 (Source: P.A. 81-2nd S.S.-3.)

4 Section 99. Effective date. This Act takes effect upon
5 becoming law."